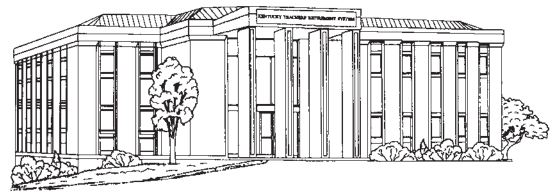
KTRS NEWSLETTER

TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY

RETIRED MEMBER EDITION
April/May 2005



WHAT'S INSIDE!

2005 Legislative Session Highlights

The retirement system's primary goal for the 2005 General Session was to obtain funding for the medical insurance program under House Bill 434 so that medical insurance could continue to be provided to retirees at current benefit levels. The unexpected 42% increase in the State Group Health Plan medical insurance premium cost for the 2005 plan year produced an immediate funding crisis for the KTRS medical insurance program. The funding crisis became even worse when the Personnel Cabinet announced that the State Group Health Plan cost could possibly increase by an additional 25% for the 2006 plan year.

The Executive Budget presented in early February of 2005 did not contain funding for the medical insurance program under House Bill 434. However, both the House of Representatives and the Senate were very receptive to the requests of KTRS and the many, many members who contacted their elected officials to request the necessary funding. As a result, both the House and Senate final versions of the Executive Budget (identified as House Bill 267) contained a vehicle to achieve the total funding requested for the current biennium in the amounts of $29 million for fiscal year 2004-2005 and $62 million for fiscal year 2005-2006, for a total of $91 million. This bill was signed into law by the Governor on March 20, 2005. KTRS members were extremely diligent in contacting their legislators to achieve funding for medical benefits through 2006. This action on the part of the members was extremely important and you are to be commended for your efforts in making your concerns known to your representatives.

As many of you are aware, the budget for the 2004-2006 Biennium was passed in this 2005 Session because a biennial budget was not passed in the regular 2004 Session. As the unexpectedly extreme increase in the cost of health insurance premiums could not have been reasonably anticipated during the 2004 Session, KTRS was extremely fortunate that the additional funding needed for medical insurance was secured in this 2005 Session. Due to the limited availability of new funds in the state budget, the only means available for funding the $91 million needed by the KTRS medical insurance program for the 2004-06 biennium was to amortize the cost over a ten year period. While the amortization method was a solution in the short-term for 2004-06, it is extremely important that the future funding needs required under House Bill 434 be included in the budget related to that biennium.

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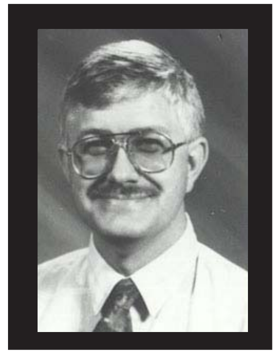
KTRS Board of Trustee Candidates

Retired
Member Trustee Candidates

Barbara G. Sterrett
Lexington

James G. Sproul
Flat Lick

Active
Member Trustee Candidates



Arthur W. Green
Elkton

Terry J. Poindexter
Covington

Upcoming KTRS Board of Trustees Election

The Teachers' Retirement System is governed by a nine member Board of Trustees. Two trustees are ex-officio members, the Chief State School Officer and the State Treasurer. The remaining seven trustees are elected by the retired and active membership. Elections are held in May of each year to fill either one or two positions on the Board. Positions are held for four-year terms and the elections are staggered. This May, the membership will elect an active member trustee and a retired member trustee.

The candidates for the active member position are Arthur W. Green, the incumbent, from Elkton, and (Ms.) Terry J. Poindexter, from Covington.

The candidates for the retired member position are Barbara G. Sterrett, from Lexington, and James G. Sproul, from Flat Lick.

In early May, each retired and active KTRS member will receive a ballot with information about the candidates. Retired members will receive a yellow ballot and active members will receive a blue ballot. Just select your candidates, tear along the perforation, and drop the ballot in the mail. Postage is prepaid. You may return your ballot any time during May, but no later than May 31, 2005. The Chief State School Officer is responsible for counting the ballots.

All members are urged to review the qualifications of each candidate and cast their ballot for the candidate in each category that they feel has the best qualifications to be an effective member of the Board of Trustees. The results of the election will be announced in the next publication of the 2005 KTRS newsletter.

2005 Legistlative Session Highlights
continued from page 1 . . .

Other highlights of the Executive Budget include funding, on an amortized basis, for a 0.8% ad hoc COLA which was added to the base COLA of 1.5%, for a total COLA of 2.3% effective for KTRS retirees on July 1, 2004, and a 0.7% ad hoc COLA which will be added to the base COLA of 1.5%, for a total COLA of 2.2% effective July 1, 2005. Amortization of sick leave payments and minimum value benefits was also provided. These items were all included in the original Executive Budget approved by the Governor's Office and have now been enacted into law, along with the medical insurance funding provision.

Another bill of interest is House Bill 272 which is sometimes referred to as the "tax modernization bill." Under this bill, the amount of all retirement and pension allowances and payouts excluded from the definition of "adjusted gross income" for state tax reporting purposes was raised to $41,110 for all taxable years beginning after December 31, 2005. The 2004 tax year exclusion, by comparison, was $40,200. While the current exclusions have been increased each year with the increase in the Consumer Price Index, the new exclusion is frozen for tax year 2006 and all future tax years, unless otherwise changed by the General Assembly.

Age 65 and Over
Medicare Eligible Health Plan (MEHP) Open Enrollment

This is to inform retirees and spouses, who are age 65 or older and not already enrolled in the KTRS Medicare Eligible Health Plan (MEHP) administered by Aetna and Medco, that June 1, 2005 begins Open Enrollment. If you are not currently enrolled in the MEHP and wish to have coverage effective July 1, 2005, you must contact KTRS for an enrollment form and return the completed form to this office by June 30, 2005. During Open Enrollment you can enroll without providing proof of a qualifying event. To enroll outside of Open Enrollment you must show evidence of a qualifying event. If you are currently enrolled in the KTRS MEHP, you do not have to do anything.

For calendar year 2005, the monthly cost for retirees and spouses covered by the KTRS MEHP is $288.00 per person. In 2005, KTRS will pay the full premium rate for retirees with 20 or more years of service credit unless you were hired after July 1, 2002. Retirees with less than 20 years of service credit will pay a premium based on years of service credit. Spouses of KTRS retirees pay full premium cost for their coverage.

Medicare
Drug Discount Cards

In late May, KTRS will communicate with membership regarding the provisions of Medicare Part D, which will become effective January 1, 2006. Medicare Part D contains options that present opportunities for drug costs savings for retirees who have a low income and limited assets. Be sure to watch your mail for this important information!

Mandatory Social Security Coverage

Congress is poised to consider reform measures for Social Security in order to strengthen the program, ensuring that it will be solvent for years to come. Measures under consideration include increasing the Social Security (FICA) tax, increasing the retirement age, investment of the Social Security tax in the stock market, reducing cost-of-living increases for retirees, private accounts for participating employees and mandatory participation for all public employees, including teachers.

Mandatory Social Security participation would require an additional tax of 6.20% for both employee and employer. Such additional taxation could result in reductions in the number of teachers, limits on wage increases, reductions in cost-of-living raises for retirees and reductions in other benefits such as health care.

KTRS is opposed to mandatory Social Security participation, as it will weaken existing state and local retirement plans and will not solve the Social Security program's financial dilemma. The Social Security Administration, as reported by the General Accounting Office, estimates that extending mandatory Social Security coverage to all newly hired state and local government employees would extend the trust fund's solvency by only two years. This short-term extension is not worth the long-term disruption to current public employee plan benefits that will be caused by mandating Social Security participation.

KTRS will provide its membership with information regarding this important issue as the congressional debate gets underway, and will strongly encourage each member of Kentucky's congressional delegation to oppose this issue when and if it comes under serious consideration.

Notice: Class Action Settlement May Include Members

Remeron and/or its generic equivalents known as mirtazapine products are normally prescribed for depression. If you or a covered dependent paid copayments or coinsurance for Remeron and/or mirtazapine products during the period June 15, 2001 through January 25, 2005, you may be able to recover a portion of your out-of-pocket expenses for these drugs.

There is a proposed class action settlement that includes consumers, such as any of our retired members who have paid a portion of the cost of Remeron and/or mirtazapine products during the time period detailed above. The lawsuit alleges that certain named drug manufacturers violated federal and state antitrust laws by monopolizing and attempting to monopolize the United States market for Remeron and its generic equivalents (mirtazapine products), which resulted in the unjust enrichment of the named drug manufacturers (whom deny any wrongdoing or liability but are willing to settle this matter). As a consumer, you may have the right to share in the settlement fund, if the Court approves this settlement. In order to participate, you must complete a claim form and postmark it by **June 13, 2005** or complete a claim form online no later than this same date. **To obtain a claim form or receive further information, you may reach the settlement administrator by one of the following three methods:**

Mailing Address: Remeron Antitrust Settlement, c/o Complete Claim Solutions, Inc., P.O. Box 24769, West Palm Beach FL 33416.

Toll-free Phone Number: 1-866-401-6807
Website: www.RemeronSettlement.com

KTRS will also be joining the proposed class action settlement and seeking a share of the recovery because we are the third party payor for your self-funded Medicare Eligible Health Plan. KTRS continues to be an advocate for fair trade practices so that drug prices will be more affordable. This advocacy helps to preserve your Medical Insurance Fund.

Your Retirement System
Impacting Kentucky's Economy

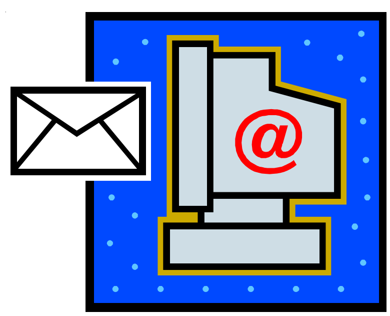
Do you know that more than $1.1 billion in annuity and medical benefits to KTRS retirees will be distributed this fiscal year? Local economies, as well as the state economy, reap the rewards when educators begin to withdraw their savings in the form of retirement benefits. KTRS benefits payments will increase $114 million from 2004 to 2005. This $114 million would be equivalent to adding 2,850 new jobs in Kentucky, each earning $40,000 a year. The flow of benefits payments to annuitants promises a continuous, predictable, and growing source of economic stimulus.

Notice

Under the Internal Revenue Code, and depending on adjusted gross income, the tax deduction that may be taken on contributions to traditional IRAs may be reduced, or eliminated, for retirees returning to work in KTRS covered positions.

Please contact Kentucky Deferred Compensation at 502-573-7925 or toll free at 1-800-542-2667 or for available options.

E-mail Protocol
Helps to Protect Your Privacy



Your personal computer is a valuable resource in contacting KTRS via e-mail for the purpose of obtaining general information about your retirement. However, your e-mails are unsecured and you should not e-mail confidential information about yourself. To safeguard against identity theft, please do not include your Social Security number or home address. When e-mailing KTRS, please indicate (in the subject area of the e-mail) that you are a KTRS member with retirement related questions. This will enable KTRS staff to identify your e-mail before opening it. This precaution will safeguard against destructive viruses penetrating our computer systems. Open records requests should not be forwarded by e-mail as they may be deleted if KTRS staff is unsure whether the e-mail is legitimate, or a merely random message that might contain a virus. KTRS has been instructed to err on the side of safety in opening e-mail and to delete all unidentifiable messages that might contain a system-damaging virus.

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TEACHERS' RETIREMENT SYSTEM
OF THE STATE OF KENTUCKY
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